

Message Text

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ACTION STR-07

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 IO-13
ISO-00 STRE-00 OIC-02 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-15 /163 W

-----045394 301834Z /41

P 301800Z MAR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 7795
INFO AMEMBASSY COLOMBO

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USMTN

STR PASS ELECTRONICALLY

STR PASS CODEL

E.O. 11652 N/A
TAGS: MTN, ETRD
SUBJECT: U.S./SRI LANKA BILATERAL ON U.S. TARIFF OFFER

1. SUMMARY: CONSULTATION ON U.S. TARIFF OFFER WITH SRI LANKA FOCUSED SURPRISINGLY ON U.S. INTENTIONS WITH RESPECT TO ITS TROPICAL PRODUCTS OFFER. SRI LANKA DEL INDICATED THAT AS PART OF BROAD TRADE LIBERALIZATION IN NOVEMBER 1977 THEY HAD EFFECTED A DEEPER DUTY REDUCTION ON THE ONE PRODUCT REQUESTED BY THE U.S. IN TP CONTEXT. MTN DEL EXPLORED THE POSSIBILITY OF BINDING THIS REDUCTION AND THE TWO DELEGATIONS AGREED TO MEET AGAIN TO MOVE FORWARD. THE BREADTH OF LIBERALIZATION UNDERTAKEN BY SRI LANKA, ALTHOUGH UNBOUND, APPEARS TO

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MAKE U.S. REQUESTS RELATED TO THE GENERAL OFFER BADLY OUTDATED. END SUMMARY.

2. MTN DEL (WHITE, GRAEF) MET WITH SRI LANKA DEL (MARIADASON, BRECKINRIDGE) ON MARCH 23 TO DISCUSS U.S. OFFER. SRI LANKAN DEL HOWEVER DIRECTED ITS QUESTIONS TO THE DIFFERENCES BETWEEN U.S. TP OFFER (TABLED MARCH 1, 1976)

AND U.S. GENERAL OFFER (TABLED JANUARY 23, 1978), AND TO U.S. INTENTIONS WITH RESPECT TO ITS TP OFFER. MTN DEL INDICATED ITS INTENTION TO IMPLEMENT U.S. CONCESSIONS UNDER MEXICAN AGREEMENT WHEN MEXICAN SENATE COMPLETED NECESSARY RATIFICATION AND TO IMPLEMENT NEGOTIATED SOLUTIONS WITH OTHER COUNTRIES IF REACHED, BUT ADDED THAT DISTINCTION BETWEEN TP AND GENERAL OFFER PLUS U.S. OFFER TO NEGOTIATE TP WHICH HAD BEEN ON TABLE FOR 2 YEARS WAS INCREASINGLY HARD TO MAINTAIN IN VIEW OF MIDSUMMER DEADLINE FOR MTN. WE ALSO INDICATED THAT WASHINGTON AGENCY DISSATISFACTION WITH APPARENT DISINTEREST OF LDC BENEFICIARIES IN VALUABLE U.S. TP OFFER HAD BEEN REFLECTED IN GENERAL OFFER.

3. MARIADASON EMPHASIZED THE RADICAL CHANGE IN THE SRI LANKAN IMPORT PROGRAM IN NOVEMBER 1977 UNDER WHICH MANY DUTIES HAD BEEN REDUCED AND MOST LICENSING REQUIREMENTS LIFTED. MARIADASON INDICATED THAT THESE CHANGES SHOULD BE ACCEPTED BY DEVELOPED COUNTRIES, ESPECIALLY THE U.S., AS SRI LANKA'S CONTRIBUTION TO THE MTN. HE SPECIFICALLY IDENTIFIED TARIFF REDUCTION TO 5 PERCENT ON DISINFECTANTS, FUNGICIDES, AND INSECTICIDES (U.S. TP REQUEST FROM 55 PERCENT TO 30 PERCENT). U.S. DEL EMPHASIZED THE NEED FOR SECURITY OF THE CONTRIBUTIONS AND CONSEQUENTLY EXPLORED THE POSSIBILITY OF BINDING THIS DUTY. MARIADASON DID NOT RULE IT OUT, BUT IMPLIED THAT IT WOULD BE DIFFICULT. HE LIMITED OFFICIAL USE

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THEN INDICATED THAT PERHAPS A MORE VALUABLE CONCESSION TO THE U.S. AND OTHER DC'S WHICH COULD BE CONSIDERED MORE PERMANENT WAS THE ELIMINATION OF COMMONWEALTH PREFERENCES.

4. MTN DEL INQUIRED ABOUT SRI LANKA'S EXPECTATIONS FROM TP POINTING TO THE FACT THAT SRI LANKA WAS A PRINCIPAL OR SUBSTANTIAL SUPPLIER ON ONLY ONE PRODUCT, GRAPHITE. MARIADASON WAS NOT PREPARED TO DISCUSS THIS AND THE TWO DELEGATIONS AGREED TO GET BACK TOGETHER AFTER CHECKING WITH THEIR RESPECTIVE AUTHORITIES.

5. DISCUSSION OF OVERALL MTN NEGOTIATIONS CENTERED ON THE VALUE OF THE U.S. OFFER TO SRI LANKA, AND ON THE FEW ITEMS NOT ON THE TP LIST ON WHICH SRI LANKA HAD MADE SPECIFIC REQUESTS (ACTIVATED CARBON, PRECIOUS STONES, COIR FLOOR COVERINGS, AND FATTY ACID DERIVED FROM COCONUT OIL). U.S. HAD MADE FULL AUTHORITY OFFERS ON ALL BUT THE FATTY ACID, AN AGRICULTURAL PRODUCT ON WHICH WE HAD RECEIVED NO REQUEST. U.S. INDICATIVE LIST OF TRADE INTERESTS IN SRI LANKA WAS GIVEN TO SRI LANKA DEL WHO IMMEDIATELY COMMENTED THAT THE DISCRETIONARY LICENSING INDICATED NO LONGER APPLIED TO THE PRODUCTS LISTED. DEL ALSO THOUGHT

DUTIES WERE ALREADY LOWER THAN REQUESTED. FURTHER
DISCUSSION OF GENERAL MTN NEGOTIATIONS WILL AWAIT FOLLOW-
THROUGH ON TP DISCUSSIONS.
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6. COMMENT: MTN BELIEVES MARIADASON WOULD LIKE TO ACHIEVE
TP OBJECTIVES OF SRI LANKA WITHOUT BREAKING RANKS WITH
OTHER LDC'S WHILE AT THE SAME TIME SEEKING CREDIT FROM
OTHER DC'S FOR THE ELIMINATION OF COMMONWEALTH PREFERENCES.
WHILE MTN DEL WILL CONTINUE TO PRESS FOR THE BINDING, WE
REQUEST WASHINGTON AGENCIES TO REVIEW SIGNIFICANCE OF SRI
LANKA ACTION ON COMMONWEALTH PREFERENCES. WOULD ALSO
APPRECIATE DOCUMENTATION OF SRI LANKA NOVEMBER 15 TRADE
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LIBERALIZATION AND EVALUATION. (SRI LANKAN OFFICIAL
GOVERNMENT GAZETTE 291/11). MTN BELIEVES IT IS POSSIBLE
TO CONCLUDE TP NEGOTIATIONS WITH SRI LANKA BY GIVING
CREDIT FOR ELIMINATION OF PREFERENCES, PERHAPS ON SPECIFIED
ITEMS, IN EXCHANGE FOR U.S. REDUCTION OF STATUTORY RATE

ON GRAPHITE. FYI: SRI LANKA MIGHT PRESS FOR OTHER
CONCESSIONS AS WELL BUT ONLY POSSIBILITY WE BELIEVE TO
EXIST IS IMPLEMENTATION OF U.S. OFFER ON GROUND CINNAMON
161.19. TRADE IS MINIMAL AND SRI LANKA IS PRINCIPAL
SUPPLIER OF UNGROUND CINNAMON. END FYI. WE EXPECT SRI
LANKA WOULD SEEK CREDIT FOR ELIMINATION OF COMMONWEALTH
PREFERENCES IN MTN RATHER THAN TP CONTEXT. END COMMENT.

7. DRAFTED BY GRAEF. MCDONALD

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Disposition Approved on Date:
Disposition Case Number: n/a
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TAGS: ETRD, US, MTN
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